



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

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Janice Mueller, State Auditor
22 E. Mifflin St., Ste. 500
Madison, WI 53703

Subject: Legislative Audit Bureau Audit of the Fish and Wildlife Account of the Conservation Fund

Dear Ms. Mueller:

Thank you for the opportunity to comment on the audit report addressing the Fish and Wildlife Account of the Conservation Fund. We believe the audit furthers our mutual goal of increased understanding of the funding of fish and wildlife programs and related policy issues.

We felt the audit was thoughtful and well done. We found a number of items of interest in the audit, such as the following:

- 97.6% of fish and wildlife user fee expenditures benefited hunters and anglers in 2004-05. The 2.4% portion of spending that did not “directly benefit hunters and anglers” was spent on things such as endangered resources surveys necessary to be eligible for federal fish and wildlife funding and cooperative efforts with Forestry to fight forest fires.
- Overall administrative spending, at 11.1% was 31% below the statutorily established 16% cap. In FY 1996-97 expenditures for the category of Department Administration at \$7.9 million represented 15.7% of user fee expenditures. 2004-05 spending in this category at \$6.4 million represents 9.5% of all user fee expenditures.
- \$21.0 million in non-license revenues contributed toward activities that primarily benefit hunters and anglers.
- The audit found that Wisconsin relies more heavily on user fees to fund fish and wildlife activities than other states, where state General Fund revenues and alternate revenue sources fund a larger proportion of these expenditures.
- The audit found that DNR adequately accounts for expenditures of gifts and donations and that restricted funds, such as stamps, were spent consistent with statutory requirements.

Fish and Wildlife Account Revenues Produce a Variety of Opportunities for Hunters and Anglers

- Wisconsin ranks fifth nationally in individual hunting license holders and fourth in the number of individual fishing license holders.
- 1.4 million anglers enjoy 22 million days fishing in Wisconsin and catch 69 million fish, 31 million of them keepers.
- 3/4 of a million hunters enjoy 9 million days of hunting in Wisconsin hunting 55 different species.
- Wisconsin's habitats support an annual harvest of more than 55,000 turkeys, a species DNR reintroduced a few short decades ago.
- Wisconsin's habitats support an annual harvest of more than 400,000 white-tailed deer, consistently in the top two or three harvests in the nation.
- DNR manages more than 1.5 million acres for hunting and outdoor recreation. Annually DNR also acquires, builds and maintains boat landings for anglers.

Report Recommendations

We agree with the recommendations included in the report and offer the following comments on each:

1. In regard to the use of basic program services as a time reporting category, the audit indicates that the percentage of staff time coded to the basic program services category has declined from 22% in 1998 to 14% in 2005. The Department maintains its goal of reducing this category to 10% and will continue efforts toward achieving this goal. We can report to the Committee by January 1, 2007 with the results of our efforts in this regard. However it may be more useful to provide this report by July 31, 2007 to allow one full year's experience for reporting purposes.
2. In regards to the use of project planning, project budgets and project outcomes, each of our Fish and Wildlife bureaus currently have project/workplanning systems in place which annually distribute resources for specific priority projects. We track those expenditures through our accounting system.

However, we understand the concerns of the Legislative Audit Bureau and would like to work with LAB to gain a better understanding of their experiences with effective systems currently in place in other state agencies, and build an improved system. We will report to the Committee by January 1, 2007 with the results of our efforts in this regard.

Clarification of Certain Topical Areas In the Audit

There are a few topical areas within the audit on which the Department would like to take this opportunity to provide additional information.

Accounting for Administrative costs-- The audit points out that total administrative costs were at 11.1% of fish and wildlife user fee expenditures in 2004-05. This is well below the 16% statutory limit. Expenditures for the specific category of Department Administration, which includes things such as

accounting, human resources, information technology and rent fell from \$7.9 million in FY 1996-97 to \$6.4 million in 2004-05. That represents about a 19% decrease in spending despite increased salary costs. This reduction was associated with the original implementation of the 16% administrative cap in FY 2001 (\$320,000) and a 2004-05 budget reduction of \$2.0 million as part of a Fish and Wildlife fee package.

In FY 1996-97 expenditures for the category of Department Administration at \$7.9 million represented 15.7% of user fee expenditures. 2004-05 spending in this category at \$6.4 million represents 9.5% of all user fee expenditures.

The audit describes two failed Legislative attempts to establish a different definition of “administrative spending” within the current 16% cap. In addition to the two current administrative categories of “Department Administration and Division Administration” the proposed modification would have added “Bureau Administration and Licensing Administration”. These two categories were not added in the past because they were not viewed as administrative in nature. Functions performed by these categories include:

Bureau Administration-- represents costs associated with direct program supervisors in the fish, wildlife and enforcement bureaus. Examples would include: warden field supervisors, supervisors of field wildlife biologists and technicians, and similar supervisors in fisheries. These are all working supervisors and clearly not support or administrative in nature. These expenditures have been categorized by the audit as primarily benefiting hunters and anglers.

Licensing Administration-- represents costs associated with delivering licenses and permits to hunters and anglers. These costs include basic operation of the Automated License Issuance System (ALIS). This system is used to gather information which is directly used in all of our enforcement and resource management activities. Staff in this program also works directly with hunters and anglers to answer questions and provide needed information ranging from explaining regulations to helping them locate information on public hunting grounds. Staff responded to more than 58,025 telephone calls throughout the month of November with 20,065 calls received the week prior to the 9-day deer season. These expenditures have been categorized by the audit as primarily benefiting hunters and anglers.

Fish and Wildlife Account Activity-- The audit describes the balance in the Fish and Wildlife Account declining from \$28.3 million in 2000-01 to \$954,000 in 2004-05. A variety of factors contributed to establishing this balance and to the drawdown of the balance. However, the overriding explanation is that account balances have a normal life cycle. Balances in accounts are higher in the early years after a fee increase to cover projected expenditures over a period of years and then decline as that fee cycle reaches its end and a new fee increase must be sought. **The balance identified in the audit allowed the Department to go seven years without a fee increase. That is almost double the length of the normal fee cycle.** Other contributing factors included:

Factors that increased the opening balance:

- 1998-99 was the first year of ALIS so the account did experience a one-time bump of \$10-\$12 million in revenues due to expedited revenue collections.
- 1997 was a fee increase year
- The 1999-01 Budget was the first to include a \$5.0 million transfer of Tribal Gaming Funds to the Account.

Factors that contributed to drawing down the balance:

- \$5.0 million of the reduced balance was increased spending of stamp/dedicated revenues demanded by organizations and dictated by funding for CWD.
- Investment income dropped by \$1.2 million, from \$1.9 million in 2000-01 to \$700,000 in 2001-02. It continued to drop to about \$53,000 in FY 2004.
- The 2001-03 Biennial Budget increased licensing agent transaction fees by \$0.50 at an annual cost of \$1.0 million, with no new revenue source to cover that cost.
- A total of 17.0 GPR Wardens were converted to the F&W Account—annual cost of \$1.3 million in the 2001-03 Biennial Budget (4.0) and 2001 Wisconsin Act 109 Budget Adjustment Bill (13.0).

As indicated in the audit, the Legislature did transfer \$4.3 million from the Recycling Fund and the Environmental Fund to the Fish and Wildlife Account in the 2005-07 Biennial Budget. Of this amount \$2.9 million was allocated to cover costs associated with wildlife damage payments to farmers, a venison donation program and CWD costs. The remaining \$1.4 million was rolled in as part of the fee increase package in an attempt to hold down some of the fee increases.

Once again, thank you for this opportunity to comment on the final audit draft. My compliments to you and your staff for their conscientiousness and level of effort on this audit.

Sincerely,

A handwritten signature in black ink that reads "P. Scott Hassett". The signature is written in a cursive, flowing style.

Scott Hassett
Secretary